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BEFORE THE ARIZONA CORPORATION COMMISSION

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2010 NOV -4 P 3: 22

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
FAR WEST WATER & SEWER COMPANY FOR
A DETERMINATION OF THE FAIR VALUE OF
ITS SEWER UTILITY PLANT AND PROPERTY
AND FOR INCREASES IN ITS RATES.

DOCKET NO. WS-03478A-08-0454

STATUS REPORT

Far West Water & Sewer Company ("Far West") hereby submits the following status report about recent developments, including construction of wastewater infrastructure. To provide the Commission more context concerning these developments, Far West also provides more background concerning its current operations.

Arizona Corporation Commission

DOCKETED

NOV - 4 2010

I. THE FAR WEST TEAM

A. Management Team

1. Paula Capestro

DOCKETED BY

Paula Capestro is one of the two major Far West Shareholders. Ms. Capestro has owned and managed several successful businesses. She serves as Far West's President and Chief Executive Officer and also serves on Far West's Board of Directors. Ms. Capestro is generally responsible for Far West's strategic planning, financing, and construction activities. She holds a Class A general engineering license and a Class KB1 general contractor license.

2. Andrew J. Capestro

Andrew Capestro has acted as Far West's general counsel since 2001, and has been responsible for Far West's day-to-day operations since January 2007. Mr. Capestro is a graduate of the University of California at Berkeley and earned his JD from the Hastings College of the Law, University of California. He served his country as a Captain, U.S. Army Judge Advocate

1 Corps, and was stationed in Fort Sam Houston, Texas, Vietnam, Thailand, and Fort Ord,
2 California. Mr. Capestro was in private practice in Monterey, California, from March 1972 to
3 November 2001, as a solo practitioner, all areas of practice, with emphasis on business law.

4 **B. Management Consultants**

5 **1. Gary M. Lee**

6 Gary Lee is the President, Chief Executive Officer, and Project Manager, for Universal
7 Asset Management. Mr. Lee has over 39 years' experience in planning, financing, and
8 implementing wastewater and water projects, and is a registered professional engineer in ten
9 states, including Arizona. Mr. Lee is responsible for developing a master plan to upgrade Far
10 West's wastewater infrastructure and for designing and supervising the new construction
11 required to implement the master plan.

12 **2. Larry Scully**

13 Larry Scully founded Scully Capital Services, Inc. in 1986. He has over 20 years'
14 experience in providing investment banking and financial advisory services to clients developing
15 large-scale infrastructure projects in the environmental and infrastructure industries. Mr. Scully
16 has advised environmental firms and investors, as well as federal, state and local government
17 entities on privatization, industrial outsourcing, project finance, strategy development,
18 acquisitions and divestitures, corporate finance, equipment financing and other services. Mr.
19 Scully is assisting Far West in obtaining additional equity investment.

20 **3. Ray Jones**

21 Ray Jones is the Principal at ARICOR Water Solutions LC. Mr. Jones specializes in
22 providing strategic and creative solutions to the water challenges facing master planned
23 communities, private water companies, and municipalities. He previously served as the
24 President of Arizona-American Water Company, Arizona's largest private water and wastewater
25 utility. Mr. Jones is also a registered professional engineer in Arizona and earned a Masters in

Business Administration degree from Arizona State University. Mr. Jones is providing general management, regulatory, and engineering expertise for Far West.

4. Craig Marks

Craig Marks is an Arizona attorney who has practiced public-utility law for almost 28 years, both as an in-house attorney and as an outside attorney. Mr. Marks also earned a Masters in Business Administration degree from the University of Michigan. Mr. Marks provides legal advice to Far West concerning Corporation Commission issues and other matters.

C. Operations Team

Far West has one of the most qualified operations team in the Western United States. Descriptions of the current members of the team follow:

1. Far West Sewer Treatment

Isaac Yocupicio (Treatment/Collections Supervisor)	#20887	Grade 4 Wastewater Collection System Operator Grade 4 Wastewater Treatment Plant Operator Grade 4 Water Treatment Plant Operator Grade 4 Water Distribution System Operator
Pablo Figueroa (Lead Operator)	#30683	Grade 4 Wastewater Collection System Operator Grade 3 Wastewater Treatment Plant Operator Grade 2 Water Distribution System Operator Grade 2 Water Treatment Plant Operator
Adolpho Agundez (Operator)		Grade 2 Wastewater Treatment Plant Operator Grade 2 Water Treatment Plant Operator Grade 2 Water Distribution System Operator (Currently licensed in California, will be transferring licenses to Arizona)
Janet Sargent (Operator)	#25404	Grade 1 Wastewater Collection System Operator Grade 1 Wastewater Treatment Plant Operator
Mike Evitch (Operator)	#31582	Grade 1 Wastewater Treatment Plant Operator
Nemecio Corona		Studying for Grade 1 in WW Collections/Treatment

2. **Far West Sewer Vac-Con/Collections**

Jeffrey Swennes (CDL Driver/Operator)	#22373	Grade 2 Wastewater Collection System Operator Grade 1 Wastewater Treatment Plant Operator Grade 3 Water Treatment Plant Operator
Don Bradley (CDL Driver)		Vac-Con/Collections Assistant

3. **Far West Water Treatment**

Sean Duval (Water Treatment Supervisor)	#20199	Grade 4 Water Treatment Plant Operator Grade 4 Water Distribution System Operator Grade 4 Wastewater Collection System Operator Grade 4 Wastewater Treatment Plant Operator
Vern Garrison (Lead Operator)	#22594	Grade 4 Water Treatment Plant Operator Grade 3 Water Distribution System Operator Grade 4 Wastewater Collection System Operator Grade 3 Wastewater Treatment Plant Operator
Shalimar Haas (Operator)	#26120	Grade 3 Water Treatment Plant Operator Grade 2 Water Distribution System Operator Grade 1 Wastewater Collection System Operator Grade 1 Wastewater Treatment Plant Operator
Angelica Waldschmidt (Operator)	#23000	Grade 3 Water Treatment Plant Operator Grade 1 Water Distribution Systems Operator
Greg Schutte (Operator)	#22612	Grade 2 Water Treatment Plant Operator Grade 1 Water Distribution System Operator

4. **Far West Water Distribution**

Cruz Arreaga (Distribution Supervisor)	#11689	Grade 4 Water Distribution System Operator Grade 4 Water Treatment Plant Operator Grade 4 Wastewater Collection System Operator Grade 4 Wastewater Treatment Plant Operator
Alfredo Meza (Lead Operator)	#22603	Grade 3 Water Distribution System Operator Grade 1 Water Treatment Plant Operator
Matt Brick (Operator)	#30727	Grade 1 Water Distribution System Operator Grade 1 Water Treatment Plant Operator

5. **Far West Water Meter Readers**

Steve Baker		Studying For Grade 1 in Water Dist/Treatment
Mike Peevler		Studying for Grade 1 in Water Dist/Treatment

1
2 **Mike Woen** Studying for Grade 1 in Water Dist/Treatment

3 6. **Far West Water Administrative Office**

4 **Roxanne Fiddes** #30885 Grade 1 Water Distribution System Operator
5 (Office Manager)

6
7 **Tammy Wright**
8 (Admin Office Assistant/Billing Clerk)

9
10 **Yolanda Ortiz**
11 (Admin Office Assistant/Customer Service)

12
13 **Maria Clayton**
14 (Admin Office Assistant/Customer Service)

15 **II. SETTLEMENT OF STATE LITIGATION**

16 On June 22, 2010, Far West notified the Commission that it had reached a settlement
17 with the Arizona Department of Environmental Quality and the Arizona Attorney General's
18 Office to resolve litigation concerning alleged environmental violations. As part of the
19 settlement, Far West committed within 18 months to upgrade and expand its Del Oro, Section
20 14, and Seasons Wastewater Treatment Plants, as well as its Del Oro and Palm Shadows
21 collection systems. It also allows Far West to consolidate its operations by closing its Villa del
22 Rey and Villa Royal Wastewater Treatment Plants, directing their flow to the upgraded Del Oro
23 plant, and closing the Palm Shadows Wastewater Treatment Plant, and directing its flow to the
24 upgraded Section 14 Wastewater Treatment Plant. The new wastewater treatment plants will be
25 state-of-the-art facilities that, through an ultra-filtration process, will transform wastewater to
26 reclaimed water that is A+ in quality, a level which exceeds current state requirements. When
27 completed, the new facilities will also eliminate odor issues that have been reported by some area
28 residents who live adjacent to several of the older treatment facilities.

29 Far West has made a great deal of progress toward completing its obligations under the
30 Settlement Agreement. Highlights follow:¹

¹ As of October 13, 2010.

1 A. Section 14 Treatment Plant

- 2 • Completed procurement of all remaining equipment and appurtenances
- 3 necessary to complete construction of Phase 1 of the Section 14 expansion.
- 4 • Revamped influent with new piping, new rails, new pump mounting, and new
- 5 electrical panel. The influent station is ready for the new pumps on site when
- 6 expanded plant starts up.
- 7 • Installed influent and headworks from influent station to rotary drum screens,
- 8 and return.
- 9 • Installed grit chamber, connected piping from rotary drum screens to grit
- 10 chamber, connected grit chamber to Tea Cup assembly, connected overflow to
- 11 plant.
- 12 • Installed new transfer station complete with underground piping, valves,
- 13 connection to holding tanks, rails, pump mounting, installed new pumps and
- 14 new electrical panel.
- 15 • Installed diffusers in four aeration tanks.
- 16 • Installed mixers two pre-anoxic tanks and two post anoxic tanks.
- 17 • Completed piping from four blowers to membrane cassette trains.
- 18 • Completed cleaning lines for UV's and compressed air, and dryers with
- 19 manifolds.
- 20 • Completed air lines to Zenon skids.
- 21 • Hooked up membrane cleaning station.
- 22 • Brought electrical to most panels.
- 23 • Connected generator to plant and made functional

24 Exhibit A to this report contains copies of photographs showing the progress that has been made.

25 In addition, the entire plant has been tested for leakage, and is water tight.

1 **B. Palm Shadows Collection System**

- 2 • Completed procurement of all remaining equipment and appurtenances necessary
- 3 to complete construction of the PSCS.
- 4 • Extended forcemain to Section 14 from the gate of the Section 14 plant to the
- 5 influent station referenced above.
- 6 • Extended forcemain from Palm Shadows to the edge of the lift station at the Palm
- 7 Shadows WWTP.
- 8 • Installed stress blocks at most points required the engineer. Six stress blocks
- 9 remain to be installed.
- 10 • Pressure-tested forcemain throughout for low pressure at 60 pounds of pressure;
- 11 the majority of the forcemain has been tested to 200 pounds of pressure.
- 12 • Additional stress blocks have been recommended by the engineer and are being
- 13 installed. The remainder of the forcemain (from the gate of the Section 14
- 14 WWTP to the influent well, and from the edge of Palm Shadows to the lift
- 15 station) will be tested to 200 pounds of pressure when the remaining stress blocks
- 16 are installed.
- 17 • Forcemain will be completed when the expanded Section 14 WWTP is activated
- 18 and permission is granted by ADEQ.

19 **C. Other Facilities**

- 20 • Completed procurement of all remaining equipment and appurtenances necessary
- 21 to complete construction of Phase 1 of the Del Oro WWTP expansion.
- 22 • Completed procurement of all remaining equipment and appurtenances necessary
- 23 to complete construction of the Seasons WWTP expansion.
- 24 • Completed procurement of all remaining equipment and appurtenances necessary
- 25 to complete construction of the Del Rey and Villa Royale Collection System.
- 26 • The Del Oro WWTP is ready for start-up pending actions by Zenon
- 27 representatives. However, as required by the Settlement Agreement, start-up of

1 the Section 14 Plant is given priority. Exhibit B to this Report contains copies of
2 photos of the completed Del Oro WWTP.

3 **D. Other Compliance Items**

- 4 • Paid \$75,000 civil penalty to State.
5 • Deposited \$200,000 to fund Civil Penalty Account. These funds will be
6 refundable as Far West satisfies compliance items required by the Settlement
7 Agreement.

8 Far West is justifiably proud of the work that has been completed to date and invites the
9 Commission to tour and inspect its facilities.

10 **III. ADDITIONAL FUNDING**

11 Although Far West has so far been able to complete each project specified by the
12 Settlement Agreement, completion of all the required projects will require Far West to obtain
13 additional equity funding. Now that the State Litigation has been settled, opportunities for equity
14 funding have increased. Far West is presently in discussions with potential investors to obtain
15 funding.

16 Ultimately, timely rate relief will be required to provide Far West a return on and of the
17 investment in the new facilities, including any new investment from outside investors.

18 **Respectfully submitted** on November 4, 2010, by:

19
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22
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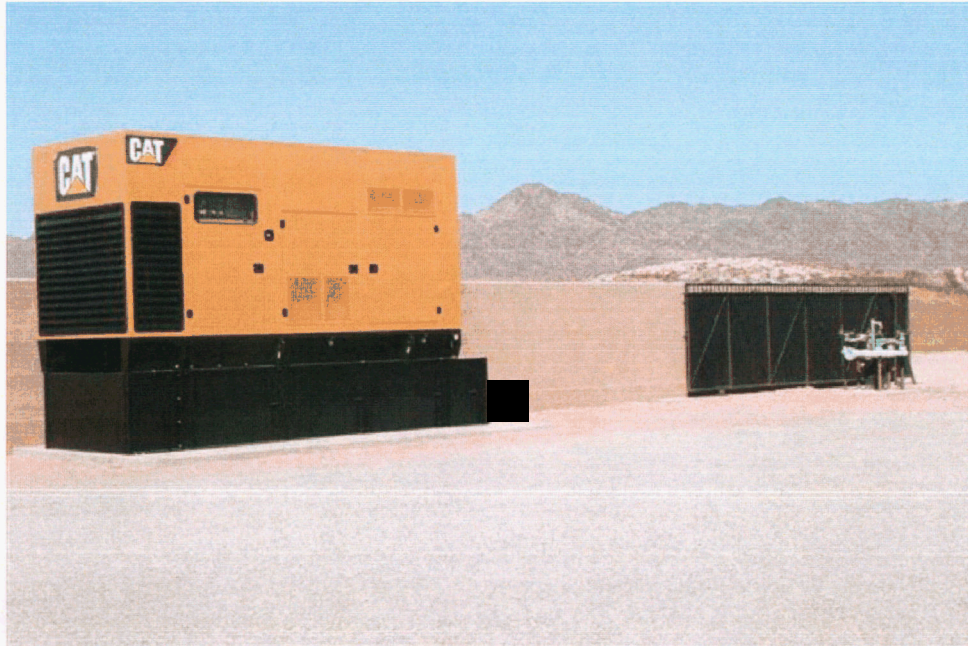
By: _____

Craig A. Marks

Exhibit A – Section 14 Wastewater Treatment Plant



Outside View of Plant – Section 14



Generator and Vadose Well – Section 14



Grit Pump – Section 14



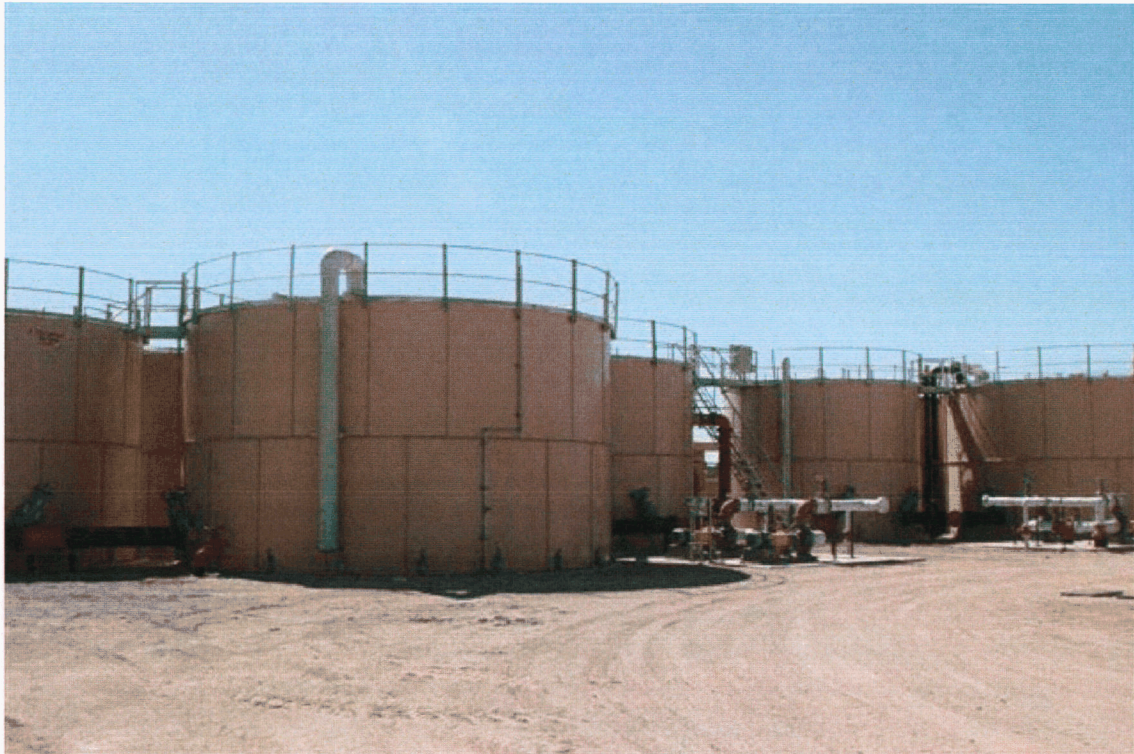
Building for Roto Sieve, Tea Cup and Somat – Section 14



Roto Sieve – Section 14



Transfer Pump Station and Tankage – Section 14



Pre-Anoxic, Aeration, Post-Anoxic Tankage – Section 14



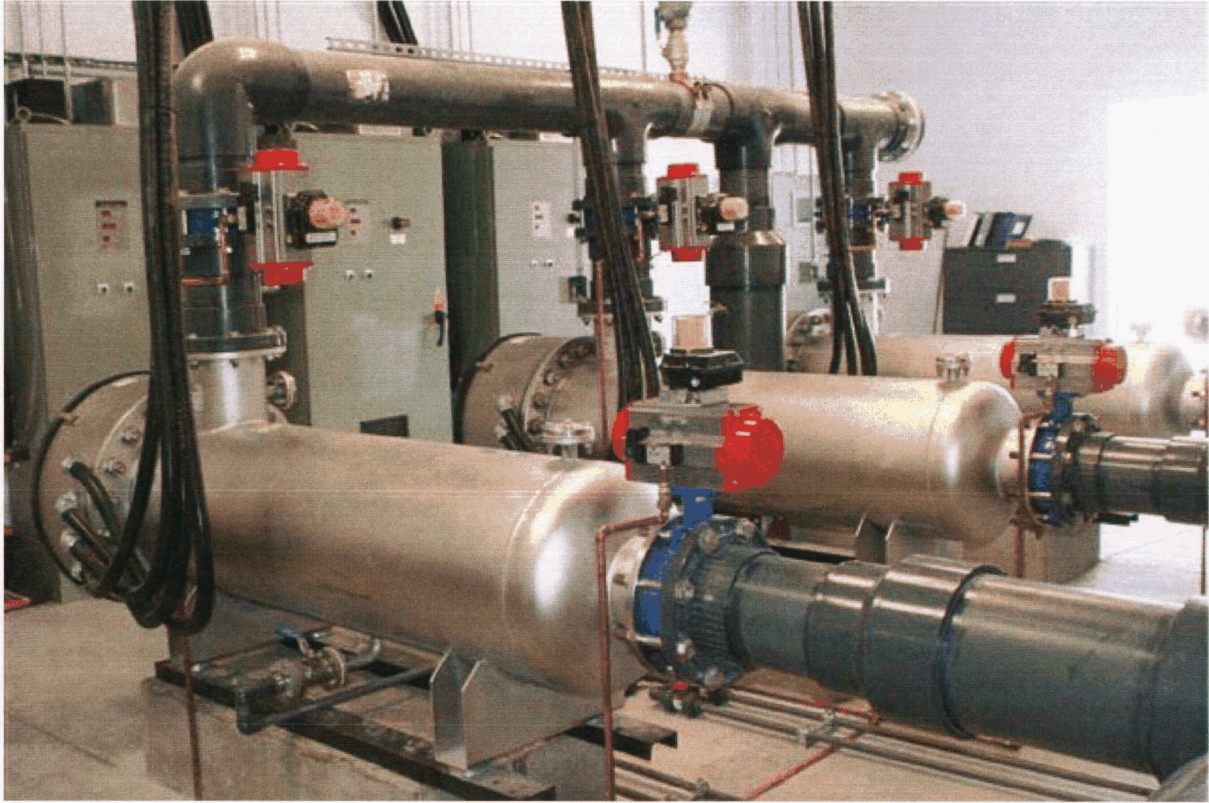
Zenon Recirculation Pumps and Piping to Membranes – Section 14



Trains for Zenon Cassettes – Section 14



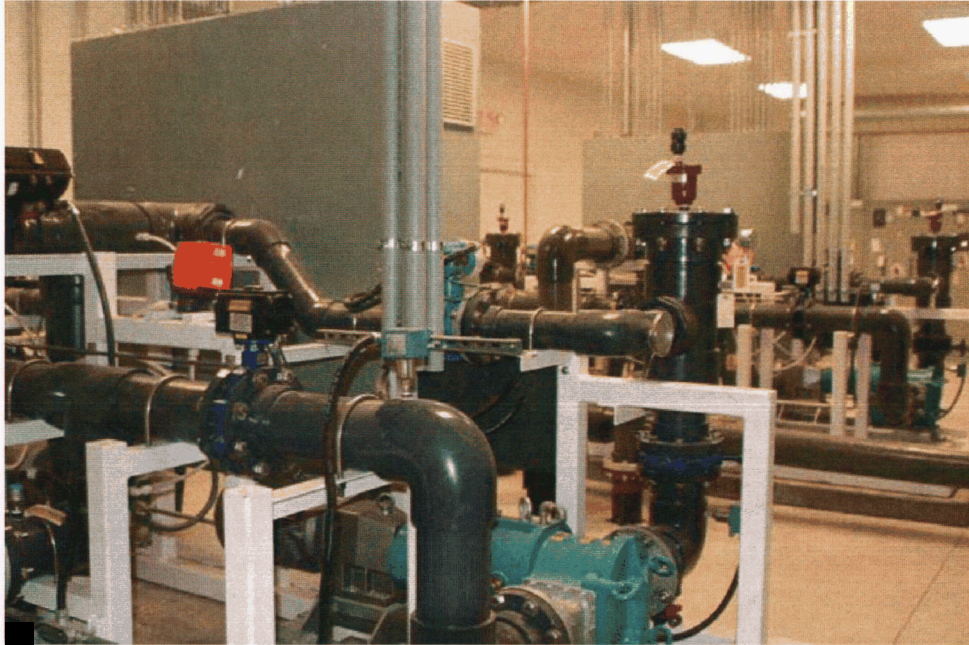
Zenon and UV Control Building – Section 14



Trojan UV2 – Section 14

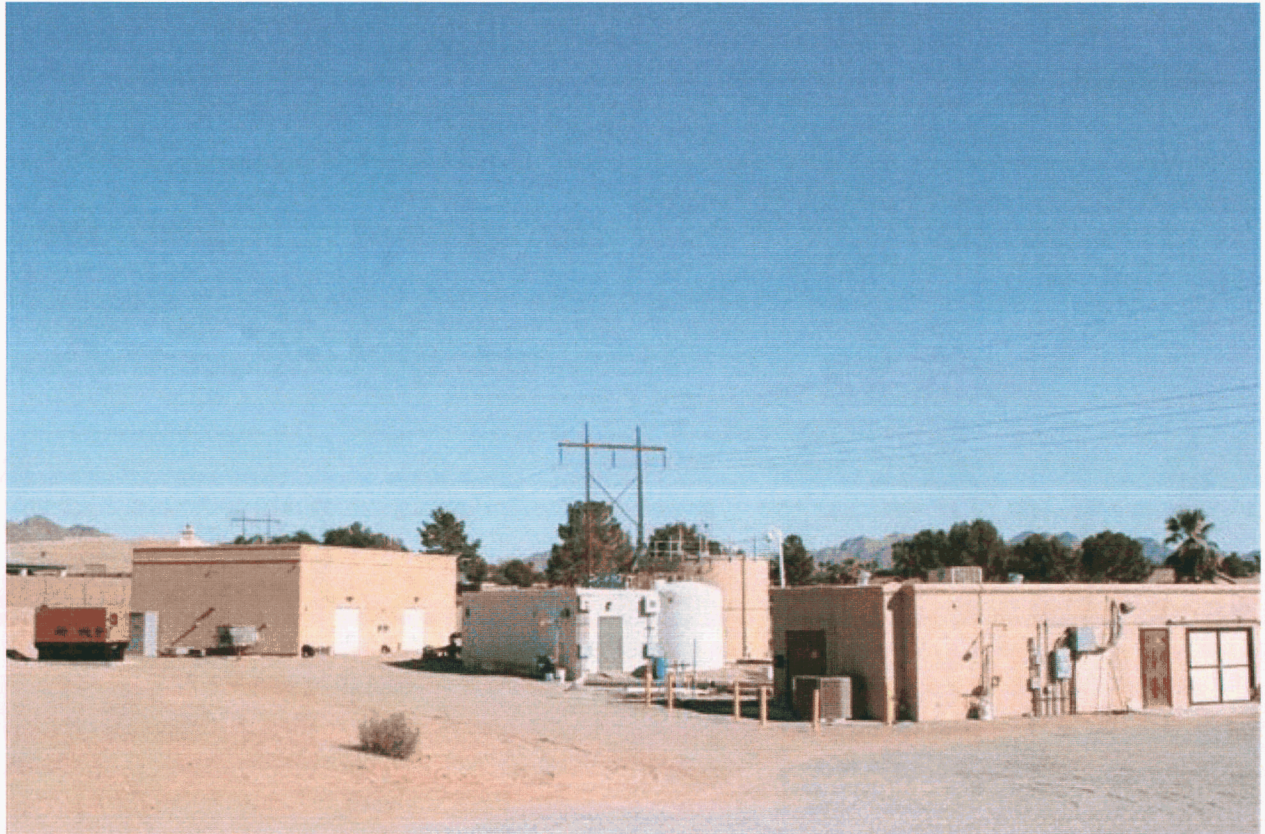


Zenon Controls and Back Pulse Tanks – Section 14



Zenon Skids for Controls and Piping – Section 14

Exhibit B – Del Oro Wastewater Treatment Plant



Del Oro Water Treatment Plant



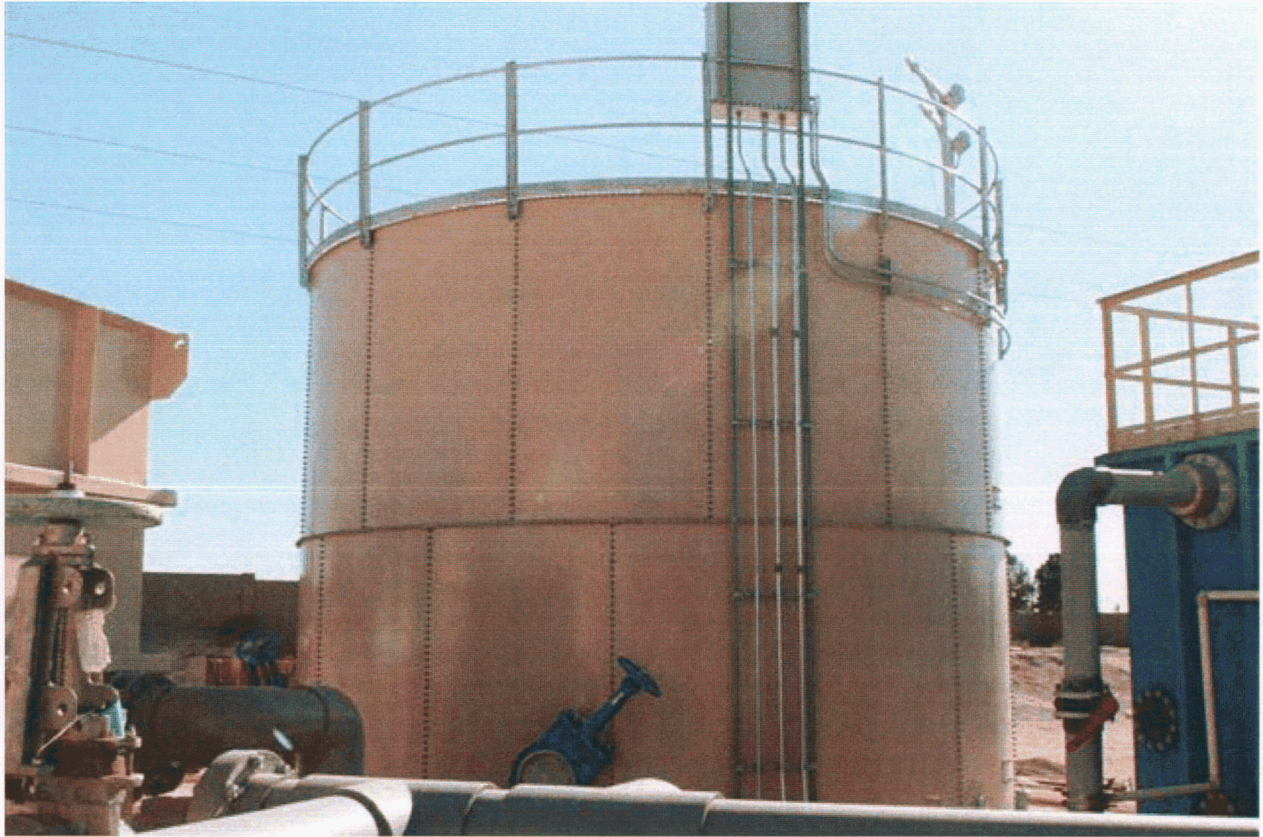
Del Oro Control Building



Generator - Del Oro



Trains for Zenon Cassettes – Del Oro



Tankage for Del Oro – First Phase



Zenon Re-Circulation Pumps – Del Oro



Zenon Skid Pumps and Controls – Del Oro



Aeration Blowers for Tankage – Del Oro



Compressed Air Blower – Del Oro



Trojan UV2 – Del Oro